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PROPOSED MEDIUM-TERM PLAN FOR THE PERIOD 1992-1997*

MAJOR PROGRAMME IV. INTERNATIONAL ECONOMIC CO-OPERATION FOR DEVELOPMENT

Programme 20. Energy

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* The present document contains programme 20 of the proposed medium-term plan for the period 1992-1997. The complete medium-term plan will subsequently be issued in final printed form as Official Records of the General Assembly, Forty-fifth Session, Supplement No. 6 (A/45/6/Rev.1).

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PROGRAMME 20. ENERGY

A. Programme

1. General orientation

20.1 In order to attain the overall development and sectoral goals of the forthcoming international development strategy for the fourth United Nations development decade and the Nairobi Programme of Action for the Development and Utilization of New and Renewable Sources of Energy, the present programme will aim at providing assistance to policy makers and international organizations to enable them to evolve an integrated response to energy issues of global significance and to promote appropriate forms of international co-operation.

20.2 Energy will continue to be a major factor in attaining national socio-economic objectives. The amount of energy consumed will grow at a faster pace than before, in particular, in the developing countries. The population growth, together with the process of urbanization in the developing countries, will create an increased demand for energy.

20.3 Market responses to changes in relative prices and to measures undertaken by Governments led to shifts in the level and composition of energy production between 1973 and 1990. Coal, natural gas and nuclear energy and renewable sources, such as hydropower, solar and geothermal energy, increased their share in total production of primary energy, while the share of liquid hydrocarbons fell. Considerable substitution from fuel oil to gas and coal for electricity generation has taken place and the outlook for nuclear power is uncertain. The development and utilization of new and renewable sources of energy can, in the long term, make a significant contribution to meeting energy requirements. Those sources of energy open up the prospect of increasing indigenous energy supply and thereby decrease a country's import dependency.

20.4 Low energy prices have brought about a fundamental re-orientation of energy investments, which may be expected to continue, at least for the medium-term. The flow of investment in oil exploration towards developing countries for energy resource development has been reduced. The capacity for accumulation of capital and access to external financing by energy-importing developing countries has deteriorated. Therefore, the high level of capital investment required for the exploration and exploitation of energy resources continues to be one of the major constraints.

20.5 Over the past two decades, there has been a growing awareness of the close relationship between energy and environmental issues that has opened an entirely new area for international concern. There is a need to intensify the monitoring and analysis of environmental aspects, policies and measures of development and use of energy, particularly with regard to issues transcending national boundaries.

20.6 Notwithstanding the current excess of production capacity in the world, maintenance of an adequate energy supply for development remains a central concern in the medium- and long-term at both the national and international levels. Projections of consumption, production and prices are, therefore, essential to the formulation of development strategies. The sizeable investments required to

increase energy supplies and the long lead time involved in energy issues cannot be addressed in the same way as many other development issues.

20.7 There is a need to strengthen international co-operation and to promote concerted action with the support of the international community according to national plans and priorities in the areas identified in the Nairobi Programme of Action. There is also a need to stimulate the mobilization of additional and adequate financial resources for their development and to provide for an exchange of information and manpower training in new and renewable sources of energy.

2. Overall strategy

20.8 The basic approach to the implementation of the programme will be to assist member countries in strengthening their capability to define and manage their energy related problems and to do so on a self-sustained and continuous basis. Towards that end, the Department of International Economic and Social Affairs and the Department of Technical Co-operation for Development of the United Nations Secretariat will implement the following overall strategy, while maintaining close co-ordination.

20.9 The Department of International Economic and Social Affairs through its Energy and Resources Branch under the Office for Development Research and Policy Analysis, will undertake research and analysis of supply and demand and other trends in energy that affect the world economy, and will conduct studies concerning the relationship (a) between energy and economic performance, including, inter alia, energy conservation and utilization and (b) between energy and balance of payments and investment requirements of the energy sector. Much of the work of the programme will focus on the identification of trends and issues of international concern and on bringing those to the attention of policy makers in the energy field.

20.10 The Department of Technical Co-operation for Development, through its Energy Resources Branch, will identify, promote and execute technical co-operation projects. The Department will implement a technical assistance programme covering the exploration and rational utilization of energy resources, upgrading and ensuring the efficient utilization of the existing energy infrastructure, developing human resources, reviewing the institutional framework of the energy sector, establishing national energy information systems, and assessing and controlling the impact of energy activities on the environment. All those activities will be aimed at strengthening energy policies and programmes of the developing countries. It is expected that the Governments, recipients of technical assistance, will assign due priority to the energy sector and provide adequate counterpart personnel to the technical assistance effort in order to secure an effective transfer of technology and create a self-sustained capacity for project implementation.

20.11 Another line of action by the Department will consist in providing direct advisory services to the developing countries on matters of energy resource development, energy planning and energy related technology transfer. International seminars, workshops and study tours will be organized to train personnel and to provide the opportunity to exchange experiences and information among experts from developed and developing countries. Technical studies will be carried out for the purpose of exploring new directions, new methods and new technologies relevant to

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the needs of the developing countries, while at the same time examining past experiences for valuable lessons learned. Those studies will be disseminated through special technical publications and periodicals.

20.12 The energy programme will be closely co-ordinated with the natural resources programme and with the regional commissions in relevant activities included in major programme VI (regional co-operation for economic and social development). Efforts of co-ordination and co-operation with the United Nations Development Programme (UNDP), the World Bank and other bodies of the United Nations system will be enhanced.

3. Subprogramme structure and priorities

20.13 The following six subprogrammes are proposed in the light of the general orientation and overall strategy outlined above:

Subprogramme 1. Monitoring and analysis of global energy trends and prospects and their impact on development

Subprogramme 2. Promotion of energy exploration and development in developing countries

Subprogramme 3. Furthering the development and use of new and renewable sources of energy

Subprogramme 4. Energy resources assessment and exploration

Subprogramme 5. Energy planning and management

Subprogramme 6. Development and transfer of technology for exploiting critical energy resources

Subprogrammes 1 to 3 will be implemented by the Department of International Economic and Social Affairs; subprogrammes 4 to 6 by the Department of Technical Co-operation for Development.

20.14 Highest priority will be given to subprogramme 1 (Monitoring and analysis of global energy trends and prospects and their impact on development) (Department of International Economic and Social Affairs), and subprogramme 4 (Energy resources assessment and exploration) (Department of Technical Co-operation for Development).

B. Subprogrammes

SUBPROGRAMME 1. MONITORING AND ANALYSIS OF GLOBAL ENERGY TRENDS AND PROSPECTS AND THEIR IMPACT ON DEVELOPMENT

(a) Objectives

20.15 The legislative authority for the subprogramme derives from General Assembly resolutions 32/174, 32/197 and 39/176 and Economic and Social Council resolution 1761 (B) (LIV).

20.16 Discussions on global energy policies and national energy planning need a coherent common basis of analysis of the current and likely future situations relating to energy supply and demand. Future supply and demand are, however, subject to the influence of many changing factors, and those factors themselves must be the object of research and analysis in order to derive realistic estimates of future energy supply and demand. For example, energy demand is influenced by, inter alia, the rate of economic growth, conservation efforts and energy use practices, technological innovation and investment designed to speed energy efficiency, possibilities for inter-fuel substitution and a broad spectrum of governmental policies. Similarly, supplies of energy are influenced by investments, changes in energy institutional structures, laws and regulations affecting exploration and development of energy resources and the state of energy technologies.

20.17 The interrelationship between energy demand and supply, on the one hand, and environmental degradation, on the other, needs to be better understood. Environmental consequences will act as a constraint on the evolution of the global energy sector over the medium-term plan period, and energy developments, in turn, will be a major factor in determining the trend of environmental well-being. The environmental implications of different forms and levels of energy use and related policy options will also constitute important inputs for environment-related work in other programmes of the medium-term plan.

20.18 By 1992, a foundation will have been established for a realistic appraisal of long-run supplies from specific energy sources by analytical work and elaboration of an energy databank.

20.19 The objectives are (a) to assure a flow of universally accessible competent analyses of the current and projected balance between global energy supply and demand, which can be used as an objective basis in addressing energy issues at both the national and international levels and (b) to strengthen the ability of national and international policy makers concerned to anticipate global energy trends, thereby reducing some of the uncertainty involved in formulating energy plans, programmes and policies.

(b) Course of action of the Secretariat

20.20 A series of mutually reinforcing lines of analysis on energy supply will be pursued. Examination of prospects of renewable energy sources will complement a set of studies addressed at delineating supply-time profiles for exhaustible energy sources. Those studies will analyse the long-run supply elasticities of such fuels with respect to technological, economic, environmental and policy factors. They will also pinpoint potential bottle-necks in the development of energy resources, such as problems in technology transfer and insufficiency of capital flows to developing countries, and will identify remedial measures.

20.21 The planning options on the demand side of the energy balance will be significantly extended through a series of studies focusing on possible future patterns of energy consumption. Prospects for further declines in the energy intensiveness of aggregate production in developed and developing countries will be analysed. In that regard, particular emphasis will be given to energy efficiency and conservation.

20.22 Research and analysis on those longer-run phenomena will be supplemented by continuous monitoring of the prevailing energy supply-demand balance. The decision-making ability of policy makers and other concerned bodies will be strengthened by the increased availability of timely information on current developments and emerging problems. Considerable use of energy models of varying degrees of generality is foreseen. Use of those models and other types of analytical work will be facilitated by the completion of the energy data-bank mentioned above.

20.23 Results will be made available to intergovernmental bodies and Governments through three classes of reports: documents requested by intergovernmental bodies, technical reports for general distribution and sections of broader reports on world development matters. Evaluation of the results of the subprogramme will be on the basis of the usefulness of the various studies and documents provided to intergovernmental bodies, Governments and energy institutions.

SUBPROGRAMME 2. PROMOTION OF ENERGY EXPLORATION AND DEVELOPMENT IN DEVELOPING COUNTRIES

(a) Objectives

20.24 The legislative authority derives from General Assembly resolutions 40/208 and 43/193.

20.25 There are gaps between investment requirements and financing availability in developing countries, which can be reduced by appropriate action aimed towards achieving greater understanding and harmonization of interests between such countries, financial institutions and foreign investors.

20.26 The objective of the subprogramme will be to foster the acceleration of energy exploration and development, particularly in energy deficient developing countries, and to define and subsequently elaborate a programme of action aimed at improving the effectiveness of national policies and bilateral and multilateral programmes in the exploration and development of energy resources.

(b) Course of action of the Secretariat

20.27 Secretariat action will focus on identifying gaps between investment requirements and financing availability and bringing these to the attention of the relevant intergovernmental bodies. Research and analytical studies on the exploration and development of energy resources in developing countries, particularly those identified as energy deficient, will continue to be emphasized during the period 1992-1997 of the medium-term plan. This work will include monitoring of those factors influencing overall energy resource investment, such as changes in the institutional structures, energy prices, developments in exploratory techniques and changes in the provisions of longer-term agreements between host countries and foreign investors. Reports will pinpoint changes in trends and in such factors and the implications of those changes for resource development prospects. Investment requirements of developing countries in the energy sector will be kept under review, and financing methods available to those countries will also be the subject of investigation.

20.28 Furthermore, symposia, seminars and other meetings will be an essential part of the subprogramme.

SUBPROGRAMME 3. FURTHERING THE DEVELOPMENT AND USE OF NEW AND RENEWABLE SOURCES OF ENERGY

(a) Objectives

20.29 The legislative authority for the subprogramme derives from General Assembly resolutions 36/193, 37/250 and 38/169, 41/170 and 43/192.

20.30 Despite some significant progress, the pace of implementation of the Nairobi Programme of Action for the Development and Utilization of New and Renewable Sources of Energy has, over the past decade, been somewhat slow. Moreover, the reduction in the price of conventional energy, notably that of oil, has led to a waning of interest in the question of development and utilization of new and renewable sources of energy. Nevertheless, there is a need for continued effort in that field and an appreciation of the fact that development of new and renewable sources of energy, although long-term, requires continuous attention. That is particularly true for developing countries, where new and renewable sources of energy will be required to meet energy needs in rural areas and will also be required as their economies grow stronger with increased industrialization.

20.31 Associated with the need to rekindle interest in new and renewable sources of energy is the need to ensure additional adequate resources for their development and use, particularly in view of environmental considerations and the depletable nature of fossil fuels. There is obviously a need to move towards a better energy mix that will reduce the pressure on traditional energy resources.

20.32 The objective of the subprogramme will be to facilitate the implementation of the Nairobi Programme of Action by the creation of an expanded database on activities in the field of new and renewable sources of energy and by a strengthened co-ordination of effort within the United Nations system in the field of new and renewable sources of energy, as indicated by an increase in instances of co-operation in planning and implementation.

(b) Course of action of the Secretariat

20.33 The primary activity under the subprogramme will be the provision of substantive support to the Committee on the Development and Utilization of New and Renewable Sources of Energy, which is entrusted with the monitoring of the implementation of the Nairobi Programme of Action; and the preparation of substantive documentation for the Committee. The monitoring, collecting and reporting will be intensified on multilateral, bilateral and other programmes in that field and on the situation with regard to financial resources for the implementation of the Nairobi Programme of Action.

SUBPROGRAMME 4. ENERGY RESOURCES ASSESSMENT AND EXPLORATION

(a) Objectives

20.34 The legislative authority derives from General Assembly resolutions 34/201, 36/193, 43/192, 43/193 and 44/227 and Economic and Social Council resolutions 1989/6 and 1989/10.

20.35 Developing countries often lack the capacity to evaluate their indigenous energy resources potential and to execute exploration programmes. In addition, the

utilization of energy resources is hampered by inefficiency. The central objective is to increase the capacity to identify and evaluate the energy resource potential and contribute to a more efficient utilization of resources.

(b) Course of action of the Secretariat

20.36 The Secretariat will carry out efforts to expand the energy supply base of the developing countries through continued support for the exploration and exploitation of indigenous energy resources, which will focus specifically on assistance in the exploration for fossil fuels, hydropower, natural gas, coal and geothermal energy.

20.37 In order to improve the efficiency of energy use and promote more intensive energy conservation measures, national energy conservation programmes will be comparatively evaluated with the aim of ensuring an optimal allocation of financial and other resources of the country. That comprehensive approach to energy conservation can be adequately addressed only within the framework of national energy policy and planning.

20.38 The programme will continue to support technical co-operation projects and provide advisory services to Governments to assist in strengthening their national capacities for undertaking expanded exploration, survey and evaluation activities to broaden the conventional, new and renewable energy resource base in developing countries. Intensified activities will be undertaken to promote the flow of financial resources for further in-depth exploration programmes and development.

20.39 Studies on new technological developments, techniques, and strategies for identifying, locating and evaluating conventional, new and renewable sources of energy will be prepared and disseminated to Governments. Interregional seminars, workshops and study tours for training national personnel and exchanging experiences in energy resource exploration techniques, as well as for evaluation of selected new and renewable sources of energy will be convened through the period of the medium-term plan. They will include a greater emphasis on the organization of training seminars for energy experts from developing countries on the issues associated with financing energy exploration and development.

SUBPROGRAMME 5. ENERGY PLANNING AND MANAGEMENT

(a) Objectives

20.40 The legislative authority derives from General Assembly resolutions 36/193, 43/192, 43/193 and 44/227 and Economic and Social Council resolutions 1989/6 and 1989/10.

20.41 The objective of the subprogramme is to increase the capacity of developing countries to manage and plan effectively the development of their energy sectors in the context of national development planning processes. In that context, the subprogramme will seek to develop further effective national capacities that will enhance the ability of the countries concerned to formulate integrated energy policies and plans and will allocate scarce investment resources to energy development in a way that will most effectively meet the needs of the various sectors of their economies. That will require a capability to identify and evaluate viable scenarios of energy supply and demand patterns, to determine energy consumption and production objectives, to formulate activities and to allocate

resources in order to attain such objectives. It will contribute also to the assessment of the institutional changes needed and training and information requirements. The subprogramme will also create an awareness of the environmental impact of energy activities.

(b) Course of action of the Secretariat

20.42 Training of personnel from the developing countries in planning and management of the energy sector is a continuous and key ingredient to reaching successfully the objectives indicated above and securing a permanent capability in the country required for judicious policy-making and effective development of energy resources.

20.43 Strengthening of the policy-making and operational institutions of the energy sector will be supported and encouraged. Legislation, regulations and contractual terms need to be reviewed in order to maintain the national interest of the countries and, at the same time, attract the needed capital investment.

20.44 Assistance will be provided to developing countries in establishing national information systems for energy policy decision-making, energy planning and monitoring of the activities related to the development and use of all energy resources available to the country. That will be done especially through microcomputer-based energy databases and models for formulating policy and energy planning and for integrating energy planning activities and programmes more closely with the overall economic and sectoral development plans. The technology of computer-aided decision-making and monitoring, as applied to the exploration and exploitation of energy resources, will also be pursued.

20.45 Technical co-operation activities and the provision of advisory services to developing countries for strengthening institutions concerned with energy planning, training of national personnel, and the methodological and informational infrastructure for energy planning will increase. The flow of information among countries through meetings and publications on technologies and factual experiences of both the developing and developed countries will be facilitated.

SUBPROGRAMME 6. DEVELOPMENT AND TRANSFER OF TECHNOLOGY FOR EXPLOITING CRITICAL ENERGY RESOURCES

(a) Objectives

20.46 The legislative authority derives from General Assembly resolutions 36/193, 43/192, 43/193 and 44/227 and Economic and Social Council resolutions 1989/6 and 1989/10.

20.47 There is a need to increase the availability and operational use of the technologies required by developing countries to develop, harness and exploit their indigenous energy resources in order to meet their energy requirements. The subprogramme will promote the use of enhanced recovery techniques, the upgrading of technologies currently in use and the rehabilitation of the energy production and distribution technologies.

(b) Course of action of the Secretariat

20.48 During the medium-term plan period, efforts will be increased to transfer directly through technical co-operation mature technologies that are readily available for exploiting identified conventional and new and renewable energy resources, as well as to provide information for use by Governments on the range of technological options that are available to exploit selected energy sources. The use of enhanced oil recovery techniques will be promoted. In the electricity sector, the problem of aging electricity generating systems will be addressed with plant upgrading and rehabilitation projects. The subprogramme will support government efforts to improve or develop technologies for a more efficient use of firewood and the utilization of solar, wind and small hydropower resources to meet or supplement the demand in rural areas and isolated energy consumption centres. In general, support will be provided through technical co-operation projects to develop the national capacity to analyse potentially viable energy technologies and facilitate their transfer to the developing countries.

20.49 National energy information systems will include information on technologies available for harnessing various energy sources: to gain access to and have a capacity to evaluate energy technologies for exploitation of identified conventional and new and renewable energy potential; and to strengthen the national technical manpower of developing countries and their institutional capabilities to develop, adapt and apply the technologies required, including the conduct of national research and development programmes. The flow of technical information to the developing countries from a world-wide network of information sources will be supported to serve as a clearing house for the exchange of information and experiences among developing countries.

20.50 Studies, interregional symposia and workshops will be organized for in-depth review and exchange of experiences concerning the impact of technological developments on the broadening of the energy resource base in developing countries. Increased effort will continue towards the establishment and strengthening of national facilities for research, development, demonstration and application of relevant technologies to exploit national potential in conventional and new and renewable sources of energy. Studies on technological developments relevant to energy development in developing countries will be presented to intergovernmental bodies at their request.

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PROPOSED MEDIUM-TERM PLAN FOR THE PERIOD 1992-1997*

MAJOR PROGRAMME IV. INTERNATIONAL ECONOMIC CO-OPERATION FOR DEVELOPMENT

Programme 21. Public administration and finance

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PROGRAMME 21. PUBLIC ADMINISTRATION AND FINANCE

A. Programme

1. General orientation

21.1 The general mandate for the present programme derives from General Assembly resolution S-13/2, paragraph 5; Economic and Social Council resolution 1985/10, paragraphs 3 and 4; and Economic and Social Council decisions 1988/115, paragraph (a), and 1989/114, paragraph (a).

21.2 The United Nations programme in public administration and finance is essentially an operational activity; its main objective is to respond to the changing needs of developing countries in strengthening their administrative and financial systems for development. In recent years, a number of economic factors, such as declining economic growth, rising external debts and increased government deficits, have led to the shrinkage of resources available for public expenditure and doubts about the role and scope of government and public administration in development. Administrative systems were frequently criticized as consumers of scarce resources in an unproductive manner, in particular, deficit-producing public enterprises. The administrative processes were sometimes found as inefficient, wasteful and frequently detrimental to national development. The institutional improvement necessary for sustained development was found to be hindered by such systemic issues as low salaries and overstaffing in the basic policy environment of the public sector. The weak institutional capacities of Governments to formulate and implement appropriate macro-economic policies was often cited as a root cause for economic deterioration in many developing countries. The urgent need to examine the critical issues in development administration and adopt approaches and programmes for improved management of the public sector was emphasized by national Governments as well as international development agencies.

21.3 Under those circumstances, there have been demands for major changes and improvements concerning public administration and finance systems. Those changes have included retrenchment and rationalization of public administration (both structure and staff), reduction of resources allocated to public organizations, systematic training and development of human resources, improvement of efficiency, economy and productivity in development administration and improved evaluation and accountability for public sector activities. The dominant themes underlying those demands are improving the institutional and management capacities of national institutions, redefining the role of the public sector and trimming it to a size at which it can function effectively and applying, as far as possible, the discipline derived from market competition in the operation and control of the activities in the public sector.

21.4 Developing countries have been responding to such demands by adopting various approaches and programmes, which were reviewed by the ninth meeting of experts on the United Nations programme in public administration and finance in March 1989. One set focused upon a review of issues and priorities in the public sector and the need for a periodic review of the role of the public sector in economic development; another set placed emphasis on the approaches and mechanisms for policy analysis and evaluation in government.

21.5 Many developing countries have also been re-examining their structural and organizational arrangements in the context of the urgent need to improve public management systems and enhance their productivity. Increased emphasis on the transparency of government operations and democratization has encouraged Governments to adopt various forms of decentralization, local self-government and participatory programmes. Along with structural and organizational improvements, many developing countries have made efforts towards increasing the use of information technologies, particularly computer-based information systems, for improvement of productivity and performance in public administration. There is increased concern with and interest in computerized information systems, as many Governments experience problems associated with effective use of information technologies.

21.6 The need to enhance institutional and management capacities of Governments of developing countries to formulate and implement appropriate development policies and programmes has also been recognized by international development agencies. The United Nations Development Programme (UNDP) has initiated a Management Development Programme, under which it is assisting developing countries to achieve sustainable improvements in the public sector through the enhancement of their management capacities and capabilities. The World Bank has also initiated a programme of reforming public sector management through technical assistance projects, developed in most cases in association with the structural adjustment and stabilization programme in a specific country.

21.7 Partly as required by stabilization programmes introduced by the World Bank and partly by increased demand for government finances, many developing countries are initiating efforts to reform the budgetary process and are introducing policies and measures for increased domestic financial resource mobilization. Those measures include harmonizing development and the recurrent budget and strengthening budget capacities, reforming tax policies and procedures and improving tax, customs and excise administration, including training of officials.

21.8 Along with budgetary reform and improved resource mobilization, Governments realize the need to apply the standards and techniques from the private sector in public services (for example, health, education and supply of development inputs), to introduce selective privatization of government commercial activities and to achieve improved performance of the retained public enterprises. Those actions are related to the concerns of Governments for raising productivity in the public service and for improving the efficiency and accountability of their operations. The concern for accountability also includes such issues as well-developed accounting and auditing systems to ensure effectiveness of expenditures for realizing policy objectives, cost effectiveness and management accountability.

21.9 Finally, of utmost importance during the 1990s will be the priority concern for improved civil service systems and integrated human resources development for public management performance. This will be consistent with the clarion call for reducing the over-bloated civil service, raising its pay scales and improving the human resource factor in development. This priority can be seen, inter alia, in the emphasis contained in the UNDP fourth cycle planning, and its Management Development Programme, the World Bank programme in public sector management and in General Assembly resolution 40/213 of 17 December 1985 on the role of qualified national personnel in the social and economic development of developing countries.

2. Overall strategy

21.10 The present programme is implemented by the Development Administration Division of the Department of Technical Co-operation for Development of the United Nations Secretariat.

21.11 To achieve the programme's objectives, an operational framework will be devised which will include analysis of the issues involved, formulation of specific guidelines to implement programmes of action and preparation of training modules. Specifically, the Secretariat will carry out operationally-oriented research and analytical studies and technical co-operation activities, including seminars and workshops, training programmes, pilot studies and advisory services.

21.12 The programme will continue to rely upon UNDP as a funding agency for extrabudgetary funds. Co-operation will be maintained with the regional commissions and the Department of International Economic and Social Affairs of the United Nations Secretariat, mainly in the form of information exchange, joint sponsorship and execution of projects and mutual participation in relevant activities. Within the United Nations system, co-ordination will be maintained with the International Labour Organisation, the United Nations Industrial Development Organization and the World Bank. In addition, co-ordination matters will formally be discussed in meetings of the inter-agency consultations and working group, held prior to the Meeting of Experts on the United Nations Programme in Public Administration and Finance.

3. Subprogramme structure and priorities

21.13 In the light of the above general orientation, the subprogrammes are as follows:

Subprogramme 1. Monitoring trends and developments in public sector management

Subprogramme 2. Effective structural and organizational arrangements and methods for public management and productivity

Subprogramme 3. Training and development of human resources for public management

Subprogramme 4. Effective budgetary systems and resource mobilization for development

Subprogramme 5. Improving public sector financial management

21.14 Subprogrammes 1 and 3 are designated high priority.

B. Subprogrammes

SUBPROGRAMME 1. MONITORING TRENDS AND DEVELOPMENTS IN PUBLIC SECTOR MANAGEMENT

(a) Objectives

21.15 The legislative authority for the present subprogramme derives from General Assembly resolution 41/182, paragraph 2; Economic and Social Council resolutions 1985/10, paragraph 6 (a), 1987/92, paragraph 2 and 1988/7, paragraphs 2 and 4; and Economic and Social Council decision 1988/115, paragraph (b).

21.16 Articulation of national priorities, determination of the appropriate role of the public sector, formulation of appropriate development policies and programmes and their effective implementation are a challenging job for any government. The recent economic crisis in developing countries, highlighted by various kinds of adjustment programmes, has shown inadequacies and gaps in those areas, specifically regarding the role and priority of public management, inadequate capacities for policy analysis and evaluation and development of alternatives. It also showed the need in developing countries to define the role of the public sector in promoting initiative and dynamism in the economy. In the international context, it is now realized increasingly that macro-economic policy and performance in industrialized countries affect developing countries in critical ways. For many of the latter, prospect for their development cannot be separated from that of the world economy. There is an urgent need in developing countries for periodic articulation of the role and priorities for public management systems and for strengthening their capacities for improved policy analysis, effective implementation of development policies and programmes and timely adjustment of national policies in the context of the global changes and trends.

21.17 Accordingly, the specific objectives of the subprogramme are:

(a) To enhance the capacity of developing countries in articulating the role and priority of public sector management, including public enterprises, and in strengthening their capabilities for policy formulation and evaluation systems in goverment;

(b) To review and analyse the role of the public sector in economic development of developing countries;

(c) To review the issues, priorities, changes and trends in public management;

(d) To study approaches and tools for analysing policy options and for evaluating impacts of policy decisions.

(b) Course of action of the Secretariat

21.18 In accordance with the specific objectives outlined above, the Secretariat will:

(a) Review periodically developments and trends in public management, including the role of the public sector in economic development;

(b) Survey changes and trends emerging in the national, regional and world scene of public administration and finance, including measures taken in connection with structural adjustment programmes;

(c) Facilitate exchange of information and methodology transfer in public administration and carry out empirical studies on arrangements for policy analysis and formulation in selected developing countries;

(d) Devise appropriate methodology for evaluating the impact of policy actions.

SUBPROGRAMME 2. EFFECTIVE STRUCTURAL AND ORGANIZATIONAL ARRANGEMENTS AND METHODS FOR PUBLIC MANAGEMENT AND PRODUCTIVITY

(a) Objectives

21.19 The legislative authority for the present subprogramme derives from Economic and Social Council resolution 1985/10, paragraph 6 (b).

21.20 Administrative reform has proved to be a continuing need of many developing countries. The existence of inadequate (but sometimes overgrown and overstaffed) administrative structures and institutional arrangements points to the need for constant attention to their size as well as performance. Frequently, there is overlapping and duplication of functions among government organizations, which also display a lack of flexibility in structure and operations.

21.21 Citizen participation in public affairs has been on a modest scale. The absence of a well-defined role for local government, clear demarcation of its area of authority, together with shortage of financial resources, technical and professional expertise have been the distinguishing features of local government in developing countries. Centralized set-up and rigid government procedures may have an adverse affect on the citizens or local authorities and may prevent ready access to information and the services to which the citizens and local units may be entitled. The conditions for making decentralized systems work have to be explored more fully.

21.22 Information management is crucial to efficient public administration. Problems have arisen in the use of information technologies and under-utilization of information systems and office automation by managers in the public sector. The situation can be alleviated by establishing an appropriate national computer policy, focal point and various mechanisms, including training, particularly training of top management which could encourage the use of information management and technologies.

21.23 The specific objectives of the subprogramme, therefore, are:

(a) To assist developing countries in reforming and restructuring their administrative and managerial systems with a view to improving the productivity and effectiveness of such systems;

(b) To facilitate management of organizational change in response to external or internal factors of public administration;

(c) To promote decentralization, local self-government and citizen participation in public affairs;

(d) To develop management information systems and office automation in public administration.

(b) Course of action of the Secretariat

21.24 In accordance with the specific objectives outlined above, the Secretariat will carry out technical co-operation activities, including advisory services and training and field projects, undertake studies of measures required to introduce administrative improvements and procedural simplifications to strengthen local government institutions within the framework of national constitutions prevailing in developing countries and studies in office automation and information systems development and maintenance.

SUBPROGRAMME 3. TRAINING AND DEVELOPMENT OF HUMAN RESOURCES FOR PUBLIC MANAGEMENT

(a) Objectives

21.25 The legislative authority for the present subprogramme derives from General Assembly resolutions 39/219 and 40/213; Economic and Social Council resolutions 1986/73, 1987/81 and 1989/120; and Economic and Social Council decision 1989/114, paragraph (b) (ii).

21.26 Personnel administration is now concerned not only with recruitment, selection, placement, utilization, promotion, discipline and compensation of public personnel, but also with their training, career development and mobilization of overall human resources. Procedures and practices relating to those various facets were often inadequate and personnel policy was frequently in a rudimentary state. In some countries, the civil service, which may lack proper classification, may be further handicapped by a relative lack of internal mobility. Despite relatively low rates of compensation, the overall size of the civil services may impose too large a burden on the national central personnel agency, and the scope of its functions requires urgent attention in many developing countries as they affect the proper control and use of the civil services. Ethical standards of conduct may similarly require strengthening in order to prevent abuse of powers by civil servants.

21.27 Quite a few developing countries have recently been faced with questions of the size of personnel in the civil services. Determination of surplus staff and retrenchment and decentralization of personnel functions from a central personnel office to line departments and/or local units are a complex issue, particularly in the context of structural adjustment of national economies.

21.28 Establishment of a valid statistical base for civil service personnel is vital for development of effective public sector human resources planning and training. Computerized personnel information systems may be established to improve human resource management and planning, as well as training and management development.

21.29 The objectives of the subprogramme, therefore, will be:

(a) To prepare and disseminate guidelines on improvement in public personnel policy and rationalization of civil service systems;

(b) To assist training institutions in developing countries to modernize and develop curriculum for management development, improve training methods and design training packages for senior management to enhance their skills in policy development.

(b) Course of action of the Secretariat

21.30 In accordance with the objectives outlined above, the Secretariat will implement the following course of action:

(a) Preparation of methodologies for civil service survey and data bases to be established for human resource planning and development;

(b) Preparation of technical guidelines on: (i) management development training; (ii) public service ethics; (iii) manpower planning for public service; (iv) retraining mechanisms; and (v) training of trainers;

(c) Technical co-operation activities, including advisory services, training and field projects.

SUBPROGRAMME 4. EFFECTIVE BUDGETARY SYSTEMS AND RESOURCE MOBILIZATION FOR DEVELOPMENT

(a) Objectives

21.31 The legislative authority for the present subprogramme derives from Economic and Social Council resolution 1987/92 and Economic and Social Council decision 1989/114, paragraph (b) (i).

21.32 In many developing countries, lack of trained human resources, weakness in the systems and processes, heavy dependence on and uncertainty about external resources for development funding and competing demands on limited internal resources have reduced the effectiveness of budgetary systems as the main governmental framework for development. There is an increasing realization that improvements in the budgetary system are needed for Governments to be able to plan, allocate and mobilize resources for development. Those improvements should aim at forging stronger links between annual development goals, budgeting and cash planning, and control systems. As an integral part of this effort, increased attention needs to be given to strengthening tax administration systems in order to minimize the leakages that now occur in the systems.

21.33 Considerable uncertainties caused by internal and external economic factors, as well as natural calamities, exist in the national economies. Expenditure planning should, inter alia, take into account those uncertainties and the processes should be strengthened to internalize them. Appropriate contingency mechanisms need to be developed to deal with uncertainties.

21.34 The specific objectives of the subprogramme are:

(a) To assist developing countries in strengthening their budget systems as an effective instrument for intensifying mobilization of their internal resources towards achieving the goal of increasing self-reliance;

(b) To support the efforts of developing countries in achieving reform in plan-budget harmonization, integrating recurrent and development budgets, enhancing budget capacities and establishing a realistic budget calendar;

(c) To assist developing countries in improving processes and instruments of budgetary control, particularly for controlling public current expenditures, and in making adjustment to change and uncertainty and computerization of selective budgetary processes;

(d) To support the efforts of developing countries in improving various aspects of tax administration.

(b) Course of action of the Secretariat

21.35 In the area of budget formulation and implementation, the Secretariat will undertake studies focusing on identification of specific issues and elements for intensive and detailed research, with a view to preparing guidelines for improvement as well as development of training materials.

21.36 In the area of fiscal reforms and tax administration, empirical studies in selected developing countries on critical needs will be undertaken, workshops and seminars will be organized to test research findings and develop guidelines for improvement and promotion of intercountry co-operation and training programmes will be developed.

21.37 In the area of budgetary controls, research will be carried out in selected countries on the approaches and techniques used in controlling public expenditures, to be followed by seminars and workshops, in which the findings will be disseminated.

21.38 Finally, technical co-operation activities will be carried out, including advisory services, and training and field projects.

SUBPROGRAMME 5. IMPROVING PUBLIC SECTOR FINANCIAL MANAGEMENT

(a) Objectives

21.39 The legislative authority for the present subprogramme derives from Economic and Social Council resolutions 1985/10, paragraph 6 (d) and 1987/92; and Economic and Social Council decision 1989/114, paragraph (b) (i).

21.40 Financial management in many developing countries suffers from inadequate systems and processes and lack of trained staff. Accounting and auditing systems in developing countries are not well-developed to deal with the increasing burden and complexity of governmental activities. Similarly, the financing and managing of a large public enterprise sector has created an increasing financial and management burden on the Governments of developing countries. Significant reforms and improvements in these key areas are essential to provide a sustainable basis for good financial management in developing countries.

21.41 The specific objectives of the subprogramme are to foster improvements of:

(a) Government accounting and auditing systems;

(b) Performance of public enterprises;

(c) Government financial management in selected least developed countries.

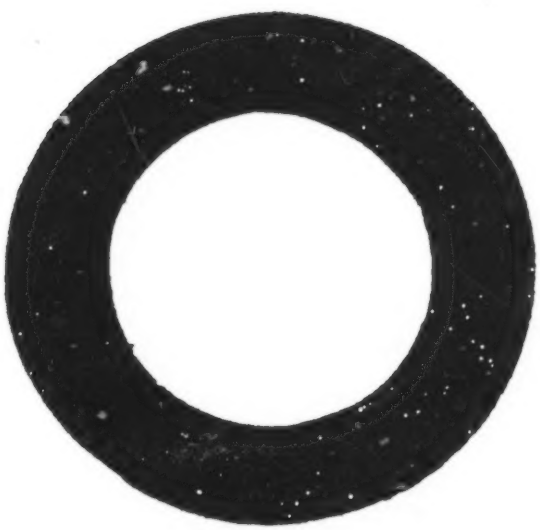
(b) Course of action of the Secretariat

21.42 Operational research and follow-up training will be undertaken:

(a) In the area of public financial management, on developing comprehensive action programmes for some selected least developed countries on an experimental basis;

(b) In the area of accounting and auditing, on computerized accounting and audit systems;

(c) In the area of public enterprise, on the central monitoring system for public enterprises, on measures for performance improvements and guidelines on the rationalization of the public enterprise sector; technical co-operation activities, including advisory services, training and field projects will also be carried out.



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PROPOSED MEDIUM-TERM PLAN FOR THE PERIOD 1992-1997*

MAJOR PROGRAMME IV. INTERNATIONAL ECONOMIC CO-OPERATION FOR DEVELOPMENT

Programme 22. Human settlements

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* The present document contains programme 22 of the proposed medium-term plan for the period 1992-1997. The complete medium-term plan will subsequently be issued in final printed form as Official Records of the General Assembly, Forty-fifth Session, Supplement No. 6 (A/45/6/Rev.1).

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PROGRAMME 22. HUMAN SETTLEMENTS

A. Programme

1. General orientation

22.1 The issue of human settlements provides a co-ordinating framework for the assessment of social, economic and physical needs and for a balanced allocation of resources for national development. This pivotal role of human settlements in national development, especially for the developing countries, has been increasingly brought to the attention of governmental policy-makers and administrators, international organizations, and training and research institutions. Indeed, sound management of rural and urban settlements can be the vehicle for overcoming many of the economic problems faced by developing countries. Even though a large number of countries have increased their attention to human settlements issues in recent years, the improvements achieved do not match the scale of the problems, partly owing to the continued application of outmoded approaches to the many critical aspects of human settlements. The most important of these are outlined below:

(a) Over 1 billion people live in inadequate shelter conditions whose improvement requires the concerted efforts of Member States and the international community, based on new approaches and undertaken on a scale never before attempted;

(b) Growing urbanization, requiring a better understanding of the role of cities in national development by Governments, policy-makers and the aid community;

(c) Inadequate policies and practices for the management of settlements of all sizes, from large urban agglomerations to small towns and rural centres, which are unable to provide the efficient base required for economic growth or to forestall social disruptions arising out of increasing poverty, inadequate shelter and services and poor health;

(d) Inadequate use of potential and resources - human, technical and financial - of a large number of actors in human settlements development, such as the private sector, community-based and non-governmental organizations and women's groups; and

(e) Inadequate use of indigenous natural resources, particularly those useful for producing affordable building materials.

22.2 The medium-term plan for human settlements for the period 1992-1997, in addressing these issues, takes into account all the relevant mandates of the General Assembly, the Economic and Social Council and the Commission on Human Settlements. The most important of these are: the Global Strategy for Shelter to the Year 2000, 1/ designed to facilitate adequate shelter for all by the year 2000; the Nairobi Forward-looking Strategies for the Advancement of Women, 2/ which sets out various aspects of human settlements development in which women should be fully involved; the International Water Supply and Sanitation Decade designed to improve infrastructural standards fundamental to human settlements programmes over the coming decade; the Nairobi Programme of Action for the Development and Utilization of New and Renewable Sources of Energy, 3/ in particular, the application of renewable-energy inputs to the production of building materials and to the

construction and operation of buildings; and the Global Strategy for Health for All by the Year 2000. 4/

2. Overall strategy

22.3 To address these issues, the United Nations Centre for Human Settlements (Habitat) will undertake technical research on substantive issues, prepare training curricula and training materials, publish and disseminate information, and undertake technical and other co-operation with member Governments, non-governmental organizations, educational and research institutions and specialized agencies in activities designed to meet programme objectives. Within the United Nations system, it is envisaged that collaboration will continue with the World Health Organization (WHO) on health aspects of human settlements, with the International Labour Organisation (ILO) on employment in the human settlements sector, with the World Bank on urban management and training, with the United Nations Industrial Development Organization (UNIDO) on the development of indigenous building materials and with other agencies executing programme elements relevant to the human settlements sector. It is expected that Member Governments will significantly increase their human settlements efforts as part of their commitment to implementation of the Global Strategy for Shelter to the Year 2000.

22.4 The development of human settlements is a multidisciplinary and intersectoral activity, and human settlements management is linked to all programmes of economic, social and physical improvement.

22.5 Co-ordination on human settlements programmes has been covered by the cross-organizational programme analysis of the activities of the United Nations system submitted to the twenty-ninth session of the Committee on Programme Co-ordination (E/AC.51/1989/8). Co-operation and co-ordination of the activities within the United Nations system are to begin from the planning and programming stage to ensure complementarity and effective co-ordination.

3. Subprogramme structure and priorities

22.6 Based on the above orientation, the human settlements programme has been divided into the following eight subprogrammes:

Subprogramme 1: Global issues and strategies

Subprogramme 2: National policies and instruments

Subprogramme 3: Integrated settlements management

Subprogramme 4: Financial resources

Subprogramme 5: Land management

Subprogramme 6: Infrastructure development and operation

Subprogramme 7: Housing production

Subprogramme 8: Construction sector

22.7 Subprogramme 2, national policies and instruments, will have high priority, it being understood that this does not imply that subprogramme 1, global issues and strategies, can be seen in isolation from subprogramme 2. Subprogramme 5, land management, will have low priority.

B. Subprogrammes

SUBPROGRAMME 1. GLOBAL ISSUES AND STRATEGIES

(a) Objectives

22.8 The legislative authority for this subprogramme derives from General Assembly resolution 43/181.

22.9 One of the main responsibilities of Habitat is to ensure harmonization at the intersecretariat level of human settlements programmes planned and carried out by the United Nations system, and to assist the Commission on Human Settlements in co-ordinating human settlements activities in the United Nations system, to keep them under review and to assess their effectiveness. The experience of 10 years' work on human settlements policy formulation and analysis has confirmed that human settlements and their accelerating development through population growth and urbanization are a high-priority global challenge and a growing concern for national and international policy-makers. Moreover, the future of human settlements is inextricably linked to other global development issues - conditions of trade, population growth, employment characteristics, technology transfer, environmental protection, the policies and impact of international aid and development agencies - and the strategies devised to deal with each of these issues.

22.10 It is expected that the global human settlements trends identified during the previous medium-term plan period will continue. In the developed regions, countries will have to deal with problems similar to those which have made themselves felt in the last part of the 1980s - aging population, disparities in quality and availability of housing, services and employment in different regions, environmental pollution and marginalization of underprivileged groups. It is likely, however, that the continuation of economic growth in industrialized countries and the increasing demand for an improved and sustainable quality of life will prompt policies and investments to address problems with more vigour than in the 1980s and bring about a general improvement of human settlements. In developing countries, trends suggest that the early 1990s will witness limited improvements in certain countries, with an overall deterioration of the quality of life in the urban and rural areas of the great majority of countries, due to continuing population growth, growing shelter demand, lack of sound settlement management and unjustifiably low priority to public and private investment in human settlements.

22.11 The objective of this subprogramme is therefore to identify and respond to global human settlements trends, particularly as they affect economic and social change in developing countries.

(b) Course of action of the Secretariat

22.12 The Secretariat plans to underline the importance of these issues and their global character through sustained emphasis on, first, the primary importance of

urbanization and its potential, with international support, for improving incomes, living conditions and the use of space and resources in both urban and rural regions, and, secondly, the necessity to replace national policies based on dependence on external aid, rigid controls and top-down provision of settlement infrastructure and shelter to the few with an enabling approach based on the mobilization of the human and financial resources of the private and community sectors and the recognition of the right of low-income groups to multiply their options for access to low-cost shelter. These changes will be pursued through intensified co-operation with multilateral agencies, particularly the United Nations Development Programme (UNDP) and the World Bank, increased contacts and co-operation with bilateral donors and stepped-up co-operation with intergovernmental organizations outside the United Nations system, particularly the Development Assistance Committee of the Organisation for Economic Co-operation and Development and its Urban Affairs Programme. The framework for this strategic approach will be the Global Strategy for Shelter to the Year 2000, an undertaking which will require close co-ordination and co-operation by all agencies at national and international levels. Progress in this direction will be monitored and evaluated through regular progress reports to the Commission on Human Settlements on the Global Strategy and on co-operation with and among developing countries on human settlements. It is expected that Habitat will thereby be established as a full partner of all global and sectoral development agencies on the grounds of its unique responsibilities and experience in human settlements development and on the strength of the impact of human settlements on the quality and sustainability of life.

SUBPROGRAMME 2. NATIONAL POLICIES AND INSTRUMENTS

(a) Objectives

22.13 The legislative authority for this subprogramme derives from General Assembly resolution 43/181; and United Nations Commission on Human Settlements resolutions 12/14 and 12/22.

22.14 Experience over the previous medium-term plan period shows that the main constraint to human settlements development, particularly in developing countries, is not only the absence of an explicit national human settlements policy but also the lack of its internal integration with policies and strategies in other sectors, the lack of appropriate implementation mechanisms and the lack of consistency between objectives and programmes. It is expected that partly owing to the constraints mentioned above, the capacity of national Governments in most developing countries to cope with settlements management and with dramatically rising quantitative and qualitative demands for shelter and basic infrastructure will be put to an increasingly severe test. This situation will be compounded by the scale of the challenge and by the tendency for national policies to be based on optimistic expectations rather than on innovative options and hitherto neglected resources.

22.15 The objectives of this subprogramme are therefore to:

(a) Integrate national settlements policies with overall development policies and set up implementation mechanisms for human settlements programmes;

(b) Assist Member Governments in eliminating policy and programme constraints, with particular reference to the implementation of the Global Strategy

for Shelter to the Year 2000, which is based on an integrated concept of shelter and human settlements development and the mobilization and involvement of all sectors of the economy.

(b) Course of action of the Secretariat

22.16 These objectives will be pursued through technical co-operation, research, training and information dissemination, which will focus on:

(a) Integration of national socio-economic and human settlements planning;

(b) Integration of national population and human settlements planning, with specific emphasis on population-distribution strategies;

(c) Improvement of national implementation instruments, within the framework of an enabling approach, and streamlining of legislation;

(d) Improvement of national institutional arrangements, with specific emphasis on measures supporting local governments and all non-governmental actors in the human settlements development process;

(e) Strengthening of institutional capacity through national and international training programmes.

SUBPROGRAMME 3. INTEGRATED SETTLEMENTS MANAGEMENT

(a) Objectives

22.17 The legislative authority of this subprogramme derives from General Assembly resolution 43/181; and from Commission on Human Settlements resolutions 11/7, 8/9 and 9/9.

22.18 Many industrialized countries, despite massive progress in economic growth and productivity and in improvement of living conditions for the vast majority of their populations, are experiencing some of the classic side-effects of growth: environmental degradation, traffic congestion, inadequacy of some essential services and housing shortages. These are not insurmountable problems, given the resources available and the prominence of these issues on the political agendas of most industrialized countries. Much more disturbing is the surfacing of the same problems in the rapidly growing settlements - large and small - of the developing countries, which manage, at best, to cope with only a fraction of the demand for the basic components of human settlements development on an ad hoc and haphazard basis. Yet the future price to be paid for unplanned settlement development in the developing countries is such that settlements management is not an option but an imperative for the decade ahead. The problem is to meet, in a coherent technical way, the quantitative and qualitative demand for land, infrastructure, services and housing required for decent living, social well-being and economic output.

22.19 More specifically, the objectives of this subprogramme are to:

(a) Manage human settlements so as to maximize productive output and provide acceptable living conditions for all population groups, with special attention to the needs of women, of the poor and of other disadvantaged elements;

(b) Support Governments in achieving responsive, participatory administration, efficient service delivery, effective transport provisions, adequate access to open space and recreational facilities and healthy environments.

(b) Course of action of the Secretariat

22.20 These objectives will be pursued through technical co-operation, research, training and information dissemination, which will focus on:

(a) Metropolitan management: Improvement of planning systems and techniques, of implementation performance, of operation and maintenance of metropolitan systems, and of metropolitan administration;

(b) Secondary-centre management: Improvement of planning systems, of implementation programmes and performance, of operation and maintenance, and of municipal administrative practice;

(i) Subnational-systems management for predominantly rural regions: Improvement of planning systems and techniques, of implementation performance and of the functioning of local authorities;

(ii) Human resources development: Carrying out of training-needs assessments, development of training curricula and materials, testing of training methods and improvement of training programmes in all skills related to settlement management, with special emphasis on the provision of equal opportunity for women in management of metropolitan and secondary centres and rural regions.

SUBPROGRAMME 4. FINANCIAL RESOURCES

(a) Objectives

22.21 The legislative authority of this subprogramme derives from General Assembly resolution 43/181; and from Commission on Human Settlements resolutions 12/14, 11/17 and 11/12 and decision 10/24.

22.22 Providing the financial resources needed for investment has, in the past, proved to be one of the main bottle-necks to human settlements development. Efforts to mobilize financial resources in the private and public sectors have not been able to yield the volume required. While this failure is closely linked to the overall performance of economic development, which, in recent years, has been hampered by deteriorating terms of trade and by the burden of international debt on the developing countries, problems of insufficient development of financial institutions, inefficient systems of resource allocation and, in the public sector, lack of cost recovery and utilization of potential sources have contributed to the inadequacy of human settlements investment.

22.23 The objectives of this subprogramme are therefore to:

(a) Mobilize resources for human settlements development and establish financial systems in such a way that the the flow of financial resources is assured on a sustainable and equitable basis, bearing in mind the special needs of low-income groups, women, etc.;

(b) Formulate and promote the principles of the Global Strategy for Shelter to the Year 2000 with regard to financing shelter, infrastructure and services, with particular emphasis on the needs of low-income communities and households in urban and rural areas. Research objectives are to develop strategies for the development of financial systems, for improving cost recovery in the public sector and for allocating resources efficiently (1995); to monitor and evaluate development of financial systems and their responsiveness to the needs of low-income groups in developing countries (1997); to develop training materials and to assist in improving the skills of personnel concerned with managing financial resources for human settlements development (1997).

(b) Course of action of the Secretariat

22.24 These objectives will be pursued through technical co-operation, research and information activities, which will focus on:

(a) Resource mobilization: Mobilization of financial resources deals with the public and the private sectors. Efforts will focus primarily on the identification of revenue potential at national and local levels, on analysis of taxation and subsidy systems and on means of recovering costs of human settlements investment. A second concern will be the mobilization of savings, with emphasis on the untapped savings potential of low-income groups and the informal sector. The Secretariat will, therefore, collect information and prepare case studies in developing countries on systems of local-government financing of human settlements investment, on financial-management practices and on subsidy systems which reach various target groups. After analysis and evaluation, the findings will be published for general dissemination and integrated in the development of training material. Similarly, information on innovative approaches to mobilizing the savings of low-income groups will be collected, analysed and made available to relevant institutions. The role of shelter-finance systems in contributing to the development of financial systems and to financial penetration of societies in developing countries, will be studied, to gain an understanding of links and impacts and to provide a basis for governmental action on innovative mechanisms and appropriate regulatory frameworks;

(b) Resource management: The Secretariat will address problems of resource management in the public sector, where inefficiencies in budgeting and control are still pervasive. The thrust of the Global Strategy for Shelter is to create an enabling environment for shelter development, by streamlining operations of local government in human settlements development and improving its ability to deliver infrastructure and services for the poor. Many countries have created public funds based on mandatory saving schemes or earmarked tax revenues which have, so far, not been able to fulfil their objective of improving the human settlements conditions of low-income groups. Management of such funds, their links to the shelter-delivery system and their impact on savings behaviour and on capital markets need to be understood. The Secretariat will, therefore, collect information and prepare case studies in developing countries on sound management of local-government finances, on efficient practices for management of public funds and on systems to reach various target groups. After analysis and evaluation, the findings will be published for general dissemination and integrated in the development of training materials;

(c) Financial institutions: The impact on access to housing for low-income groups of specialized shelter-finance institutions, which have been set up by many

countries, has so far remained very limited. Similarly, specialized institutions for financing infrastructure investment have failed to improve delivery of services to the poor. Problems are frequently caused by an institutional and regulatory framework which was set up under development strategies that are no longer valid. The Secretariat will collect information on effective institutional set-ups and on principles that guide sound development of financing institutions, with special reference to the need to reach all target groups. Particular attention will be paid to community-based finance institutions, to promote local financial services and to tap the savings potential of low-income groups. After analysis and evaluation, the findings will be published for general dissemination, and guidelines will be prepared for the development of a regulatory framework that is responsive to the financing needs of low-income groups.

SUBPROGRAMME 5. LAND MANAGEMENT

(a) Objectives

22.25 The legislative mandate for this subprogramme derives from General Assembly resolution 43/181; and from Commission on Human Settlements resolutions 12/22, 11/17 and 10/12.

22.26 Land and land management will continue to be important issues in all countries, regardless of their level of development. Land scarcity and land prices, particularly in intensely developed regions and in metropolitan areas, will continue to be a primary issue. Nevertheless, mature economies can count on an established range of instruments to address such problems and will be favoured by very slow population growth and mobility rates. Many developing countries will be confronted with similar problems, varying in scale, but all of them will have to make available and develop enormous quantities of land in a context of extremely high population growth and mobility, high urbanization rates and persisting weaknesses in national policy instruments and land-management capacity.

22.27 The objectives of the subprogramme are therefore to:

(a) Devise land-management systems that will ensure an adequate, affordable supply of land to meet all settlements functions, with particular attention to the needs of disadvantaged groups, including women;

(b) Assist member Governments in exploiting the land asset in settlements development, particularly in rapidly growing urban settlements.

(b) Course of action of the Secretariat

22.28 These objectives will be pursued through research work, which will focus on the following issues:

(a) Land supply: Identification and application of procedures to improve the operation of land markets and to promote land-supply systems capable of meeting the large-scale needs of present and future settlements, drawing on the capacities of the public, private and community sectors;

(b) Land instruments: Development and operation of all legislative and administrative systems required for the management of land-supply systems, including land-registration, land-transaction and property-taxation procedures

needed for the efficient functioning of land markets and the generation of revenues.

SUBPROGRAMME 6. INFRASTRUCTURE DEVELOPMENT AND OPERATION

(a) Objectives

22.29 The legislative mandate for this subprogramme derives from General Assembly resolutions 42/169, 35/18 and 43/181; and from Commission on Human Settlements resolution 12/15.

22.30 Water supply and sanitation are the first expressed priorities of poor communities. While some progress has been made in identifying and promoting the use of low-cost technologies for water supply and sanitation, much still needs to be done. Particular emphasis and attention must be given to technologies appropriate for high-density, low-income urban settlements where problems are critical and available solutions limited. Basic services, such as water supply, sanitation, refuse disposal and surface drainage, need to be provided in an integrated manner to optimize investments in infrastructure.

22.31 Ongoing research points to the need to enhance concerted settlement-planning, land-use and transport-development policies. These should aim at reducing growth of traffic demand and at providing for expansion of transport services at low per-capita investment and operating costs so that services are affordable to the bulk of the population.

22.32 Developing countries face an acute shortage of various forms of energy required to install and operate settlement infrastructure. Furthermore, large-scale use of biomass, specially by rural and peri-urban populations, unable to afford alternative sources of energy, is having a disastrous ecological effect.

22.33 More specifically, the objectives of the subprogramme are to:

(a) Provide infrastructural facilities to meet the expanding need for serviced land;

(b) Provide developing-country Governments with information and tools for increased basic-service coverage in their countries, especially for disadvantaged groups, such as women.

(b) Course of action of the Secretariat

22.34 These objectives will be pursued through research and technical co-operation activities which will focus on three issues:

(a) Water-supply and sanitation services: During the previous medium-term plan period, efforts were made to increase the real value of resources available for extending drinking-water supply and sanitation coverage, by identifying and promoting low-cost technologies for these services. However, the coverage of water supply and sanitation in developing countries will have, at best, only managed to keep pace with population increase, except in rural water-supply coverage, which will have increased globally by over 50 per cent. A continuing goal will be the reduction in the per-capita (unit) cost of basic infrastructure, through the identification and promotion of low-cost technologies and standards (1997);

additional goals will include the promotion of cost-effective techniques for maintaining infrastructural stock and the promotion of efficiency in services provision and maintenance through public/private partnerships, informal-sector involvement and improved revenue generation and management (1996);

(b) Transport: A comprehensive analysis and evaluation of different transport modes in developing countries will have been developed during the previous plan period. Interdependence between transport modes and development patterns will be investigated on the basis of empirical studies, and guidelines on planning transport infrastructure will be formulated for implementation by Governments (1996);

(c) Energy: New and renewable energy sources, such as biogas and solar, should start having an impact on energy supply, especially in rural areas. Energy conservation in buildings will be an established policy in many developing countries. Research and empirical studies will establish the parameters required to improve energy-supply processes in urban and rural areas. Emphasis will be given to the application of proven new and renewable energy sources and to the provision of energy supply to rural women (1996).

The dissemination of research findings during the current medium-term plan will be improved by taking advantage of various forms of communications, such as the production of audio-visual materials and seminars or workshops.

SUBPROGRAMME 7. HOUSING PRODUCTION

(a) Objectives

22.35 The legislative mandate of this subprogramme derives from General Assembly resolution 43/181; and from Commission on Human Settlements resolutions 12/14, 10/12 and 9/9.

22.36 The world-wide problem of inadequate housing, particularly as regards the conditions of low-income households, defies the capacity of most Governments to deal with it by conventional means. Efforts are needed by Governments, in partnership with the private sector, non-governmental organizations and local communities, to support the provision of acceptable housing at affordable costs, in pursuit of the general goal of adequate shelter for all by the year 2000. Inadequate housing conditions, particularly as concerns the needs of low-income groups in developing countries, result from the limited capacity of conventional programmes to produce affordable units at the required scale and the continuing problem of widespread poverty. Knowledge of and experience with the application of shelter strategies has increased, and the goal of the Global Strategy for Shelter to the Year 2000 is to mobilize a broad range of measures in support of housing production.

22.37 More specifically, the objectives of this subprogramme are to:

(a) Put in place systems of housing delivery which are capable of addressing the housing problem at the required national scale and at costs affordable to households and society;

(b) Formulate and promote the implementation of enabling shelter strategies within the framework of the Global Strategy for Shelter to the Year 2000, with

particular emphasis on contributing, through technical co-operation, research, training and dissemination of information, to solving the housing problem of the poor in developing countries. For this purpose, enabling shelter strategies, expressed through forms of collaboration and participation among all concerned institutions, organizations and communities, require the formulation and testing of appropriate and innovative management procedures.

(b) Course of action of the Secretariat

22.38 To pursue the above objectives, the strategy will be one of collection, evaluation and dissemination of experiences with workable housing-development programmes. The assessment of experiences through the analysis of case studies, will focus on the workability of solutions: (a) on a large scale; (b) with minimal administrative control; and (c) based on co-operative forms of participation with and between communities, non-governmental organizations and the formal and informal private sector. Special attention will be given to research on housing production by the poorest groups, including women, which do not have sufficient income to offer effective demand for the formal housing market. Elements of the strategy will include the review and evaluation of housing-production systems, with a view to identifying support measures for enhanced production. Attention will be given to the problem of delivering housing at affordable costs and to the capacity of the formal and informal housing markets to meet the needs of low-income groups. Special emphasis will be given to the application of solutions which support the self-help efforts of communities and the involvement of non-governmental organizations.

22.39 Mainly through case studies, information on such experiences will be collected and analysed (1993); an in-depth assessment of the potential for application at national scales will be made, including an assessment of the transferability of experiences with enabling shelter strategies (1995); and dissemination of experiences of workable and cost-effective housing-development programmes will be done through and publication of case studies, organization of workshops and seminars and provision of advisory services to Governments (1997).

SUBPROGRAMME 8. CONSTRUCTION SECTOR

(a) Objectives

22.40 The legislative mandate for this subprogramme derives from General Assembly resolution 43/181; and from Commission on Human Settlements resolutions 12/22, 10/12 and 9/10 and decision 10/24.

22.41 In many developing countries, despite the proven opportunities to develop an efficient indigenous construction industry, this sector still operates with severe limitations, with a high dependence on expensive, imported and, often, inappropriate factor inputs, regulatory instruments and institutional set-ups, so that the most basic demands are not fulfilled. Worse still, the contributions of the sector to national economic growth have not yet been realized.

22.42 The objectives of the subprogramme are therefore to:

(a) Attain adequate capacity for the construction sector to meet the requirements for physical infrastructure, housing and related facilities within national resource limitations;

(b) Promote and co-ordinate programmes to overcome barriers confronting the construction sector, notably, weak institutional and legislative support for the construction sector, inadequate local skills, over-reliance on imported factor inputs and technologies, and inability to mobilize local resource endowments for the development of an indigenous construction sector.

(b) Course of action of the Secretariat

22.43 These objectives will be pursued through research, technical co-operation and information activities which will focus on:

(a) Building materials: By the end of the previous medium-term plan period, activities in relation to the subprogramme should have strengthened the network of countries collaborating in the field of local building materials and technologies, and a framework should have been set for establishing demonstration projects in appropriate production technologies for selected local building materials. Approaches to effective transfer of technology for production of local building materials and a shift towards attaining local technological capacity should have been well rehearsed, thus paving the way for country-specific projects to be implemented. Innovations for the formulation and promotion of standards for selected local building materials, which were demonstrated in three countries, should have been popularized and replicated in several other countries. Some measures in the previous medium-term plan will continue to be applied, though with a shift in emphasis, notably:

(i) Demonstration projects on transfer of technology for production of selected local building materials will be replicated (1995);

(ii) Programmes will be carried out to strengthen national technological capacity to deal with key aspects of local building materials production (1996);

(iii) The network of countries collaborating in the field of local building materials and technologies will be expanded, with a target of achieving universal participation among developing countries, as well as a shift from information exchange to collaboration in actual implementation of specific field activities (1997).

In both items (i) and (ii) above, the shift in emphasis will be on increased involvement of the private sector, both in the production cycle and end-use of building materials.

(b) Construction industry: By the end of the previous medium-term plan period, programmes in relation to the construction industry should have disseminated information on strategies and policies to guide Governments in restructuring the entire construction sector. Specific components of the construction sector should have been tackled in detail, notably development of the construction sector in response to the needs for low-income housing and infrastructure, reformulation of regulatory instruments of the construction sector and strengthening of local capacity to tackle the lack of building maintenance. Under the current medium-term plan, the following will be undertaken:

(i) Programmes to improve the data base for planning the construction sector, including simple computer software applications, will be established (1993);

(ii) Data will be compiled on appropriate plant, equipment and tools for the construction sector to provide countries with an informed choice of correct hardware (1997);

(iii) Local manpower will be upgraded and new skills promoted in several aspects of building materials production, building construction techniques, institutional support and management of the construction sector (1997).

Notes

1/ See General Assembly resolution 43/181, and Official Records of the General Assembly, Forty-third Session, Supplement No. 8A (A/43/8/Add.1).

2/ Report of the World Conference to Review and Appraise the Achievements of the United Nations Decade for Women: Equality, Development and Peace, Nairobi, 15-26 July 1985 (United Nations publication, Sales No. E.85.IV.10), chap. I, sect. A.

3/ Report of the United Nations Conference on New and Renewable Sources of Energy, Nairobi, 10-21 August 1981 (United Nations publication, Sales No. E.81.I.24), chap. I, sect. A.

4/ World Health Assembly resolution WHA34.36.

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PROPOSED MEDIUM-TERM PLAN FOR THE PERIOD 1992-1997*

MAJOR PROGRAMME IV. INTERNATIONAL ECONOMIC CO-OPERATION FOR DEVELOPMENT

Programme 23. Transnational corporations

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* The present document contains programme 23 of the proposed medium-term plan for the period 1992-1997. The complete medium-term plan will subsequently be issued in final printed form as Official Records of the General Assembly, Forty-fifth Session, Supplement No. 6 (A/45/6/Rev.1).

PROGRAMME 23. TRANSNATIONAL CORPORATIONS

A. Programme

1. General orientation

23.1 The legislative authority of the programme on transnational corporations derives from Economic and Social Council resolution 1913 (LVII) of 5 December 1974, which formulated the basic mandate of the Commission and the Centre on Transnational Corporations, and is further elaborated and modified by subsequent resolutions and decisions of the General Assembly, the Economic and Social Council and the Commission. The programme is aimed at:

(a) Furthering understanding of the nature and the political, legal, economic and social effects of the activities of transnational corporations in home and host countries and in international relations;

(b) Securing effective international arrangements for the operation of transnational corporations so as to promote their contribution to national development goals and world economic growth while controlling and eliminating their negative effects;

(c) Strengthening the capacity of host countries, in particular the developing countries, in their dealing with transnational corporations.

23.2 Transnational corporations are important actors in the world economy. They transcend national boundaries and the largest of them have sales that exceed the aggregate output of all but a handful of countries. Transnational corporations invest equity capital abroad, but their activities also occur through a wide variety of institutional arrangements, many of which involve little or no investment of capital. With the world undergoing dramatic technological innovation, the individual enterprise - private or public, domestic or foreign - assumes a key role in attempts by the international community to re-activate growth in the developing countries. Transnational corporations are at the centre of that technological change: many innovations originate within them and most are applied, commercialized and disseminated by them.

23.3 In the 1960s and 1970s, the activities of transnational corporations were seen as a threat or potential threat to sovereignty, and throughout the developing world there was much scepticism about the benefits of foreign direct investment. In the 1980s, there was a more mixed assessment of the advantages and disadvantages of foreign direct investment. This is reflected in the new approaches being taken in the formulation of national and international policies in foreign direct investment, which combine measures and policies aimed at facilitating flows of foreign direct investment in sectors and activities under conditions that guarantee the contribution of those investments to the national economy. The expansion of transnational corporation activities world-wide calls for adequate governmental response, which, in the successful pursuit of national policies in an interdependent world, requires a global view.

23.4 In the 1980s, there was progress in the finalization of some multilateral arrangements relating to specialized aspects of the activities of transnational corporations; however, negotiations for a more comprehensive multilateral

framework, such as the United Nations code of conduct on transnational corporations, have not yet been completed. Multilateral arrangements, whether they are binding or voluntary, are an important aspect of the elaboration of generally accepted standards governing international business, and thus contribute to the improvement of relations between host countries and transnational corporations. The growing significance of transnational corporations in the world economy, as manifested internationally in the increasingly integrated approach to trade, foreign direct investment and financial policies and issues, increased the importance of concluding the code in order to promote and guide the essential economic functions performed by these corporations. As the dichotomy between host and home countries blur and their interests converge, international co-operation relating to transnational corporations could be expected to be more active and comprehensive in the 1990s.

23.5 The continuing economic difficulties facing most developing countries pose major developmental challenges for the years ahead. The expansion and spread of transnational corporations have contributed to the economic growth of many host countries. However, the world-wide distribution of foreign direct investment and the activities of transnational corporations are uneven and are becoming increasingly more so: the growing share of developed countries in global foreign direct investment is mirrored by the declining share of developing countries in these flows. The least developed countries in particular have been by-passed by transnational corporations.

23.6 Transnational corporations are frequently the repositories of scarce technical skills needed for the preservation of the environment and for the conduct of activities in sectors that have an impact on the environment. In that context, there is an increasing need to analyse the activities and strategies of transnational corporations in the context of environmental protection and the promotion of sustainable development by identifying ways in which developing countries in particular might benefit from the experience of developed countries and encouraging private sector initiatives in their efforts to protect the environment in relation to industrial activities of transnational corporations.

2. Overall strategy

23.7 As stated in Economic and Social Council resolution 1980/60 of 24 July 1980, "the United Nations Centre on Transnational Corporations is the central unit in the United Nations system at the Secretariat level for work on matters related to transnational corporations". It carries out its tasks by a variety of means, including:

(a) Provision of substantive services to intergovernmental bodies, primarily the Commission on Transnational Corporations;

(b) Preparation of background documents and specialized studies related to transnational corporations;

(c) Dissemination of information, in particular that regarding agreed standards and guidelines;

(d) Organization of seminars and conferences on transnational corporations;

(e) Provision of assistance to Governments, especially those of developing countries, in order to enhance their capacity to deal with transnational corporations.

23.8 The programme will be implemented through the Centre and its joint units with the five regional commissions. Each joint unit shall, within the overall programme of work adopted by the Commission on Transnational Corporations and the Economic and Social Council, be the focal point for the activities of the Centre in the region, especially in the fields of research, information and liaison with the Governments of the region. In the area of research, the joint units conduct case-studies in the countries of the respective regions. They also provide on a case-by-case basis inputs for global studies being conducted by the Centre. For its part, the Centre assists the joint units in carrying out research programmes, particularly on subjects of special concern to the regions. The joint units submit outlines, as well as preliminary drafts or studies, to the Centre for comments prior to their finalization. They also look to the Centre for assistance in locating consultants and preparing their terms of reference for specific studies. In other aspects of their work, they also draw upon research done by the Centre. In the area of information, the joint units assist in the collection of information on the countries of their regions, including information on individual transnational corporations, following a format designed by the Centre. In turn, the Centre makes available to each joint unit information pertinent to its region. Where verification of the accuracy of data is required, the Centre's efforts are complemented by those of the joint units. A close co-operative arrangement between the Centre and the joint units has been developed concerning both the programming and execution of advisory and training projects. There is co-operation in the organization of training workshops, including liaison with the Governments concerned, identification of specific requirements for advisory missions, follow-up on missions completed, and briefing and debriefing of the Centre's consultants visiting the region on training or advisory missions.

23.9 While the Economic and Social Council has repeatedly emphasized the role of the Commission on Transnational Corporations and the United Nations Centre on Transnational Corporations as the focal points within the United Nations system for issues related specifically to transnational corporations, the activities of these corporations, by their very nature, affect a multitude of political, social, economic, legal and environmental issues that are dealt with to a varying extent by other organizations and bodies of the United Nations and the system as a whole. In addition to close co-operation with the Department of International Economic and Social Affairs of the Secretariat, the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Environment Programme (UNEP), there is also active co-ordination with the International Labour Organisation (ILO), the Food and Agriculture Organization of the United Nations (FAO), the World Health Organization (WHO) and the General Agreement on Tariffs and Trade (GATT). In the area of technical co-operation, the Centre seeks the collaboration and contribution of the Department of Technical Co-operation for Development of the Secretariat, UNCTAD, the regional commissions in the four developing regions, as well as ILO, FAO, the World Bank/International Finance Corporation, the United Nations Industrial Development Organization (UNIDO) and the Commonwealth secretariat. The Centre also co-operates with the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD). In the 1990s, the Centre will continue to work with organizations of the international business community and the international trade union movement.

3. Subprogramme structure and priorities

23.10 In light of the above orientation and the trends and prospects relating to the activities of transnational corporations and their role in world development, the United Nations programme on transnational corporations will consist of the following subprogrammes:

(a) Securing an effective code of conduct and other international arrangements and agreements relating to transnational corporations;

(b) Minimizing the negative effects of transnational corporations and enhancing their contribution to development;

(c) Strengthening the capacity of host developing countries in dealing with matters related to transnational corporations.

23.11 Among the multiple tasks entrusted to the programme, priority will be given to the formulation of an effective, comprehensive, generally accepted and universally adopted code of conduct on transnational corporations.

B. Subprogrammes

SUBPROGRAMME 1. SECURING AN EFFECTIVE CODE OF CONDUCT AND OTHER INTERNATIONAL ARRANGEMENTS AND AGREEMENTS RELATING TO TRANSNATIONAL CORPORATIONS

(a) Objectives

23.12 The legislative authority for the present subprogramme derives from Economic and Social Council resolutions 1913 (LVII), 1961 (LIX), 1980/60, 1986/53, 1987/57 and 1989/24.

23.13 The growing significance of the role of transnational corporations in the world economy has increased the importance of concluding an international framework to address the essential economic functions performed by those corporations, particularly in mobilizing the capital, skills and technological resources required to meet growth and development needs world wide. Though global economic and political conditions have changed over the past decade, that has not altered the fundamental need of the international community to address the impact of transnational corporations. While the original objectives of the code are still valid, new problems are emerging that require an international response that addresses the responsibilities of both transnational corporations and Governments. For instance, transnational corporations demonstrate remarkable flexibility in adapting to changing conditions by adopting different structures, organizational patterns, modes of operation and inter-corporate alliances that make their control by any single jurisdiction more elusive than before. Besides, while the control of potentially negative impacts is of concern, the facilitation of possible benefits is equally important. A global framework is needed for the continued growth of foreign direct investment and activities of transnational corporations with a view of establishing positive economic linkages between transnational corporations and developing countries; supplementing national foreign direct investment regimes; harmonizing definitions and regulatory processes; and facilitating the effective integration of centrally planned economies into the international economic system. In addition, specialized legal instruments may be required to address specific

issues of the activities of transnational corporations, such as service industries, product liability, environmental risk management and disclosure of information.

23.14 Recent events in the financial world, particularly the continued volatility of stock markets, have caused considerable concern over the quality and quantity of information in the financial statements of transnational corporations. The lack of comparability and the inadequacy of financial statements limit their usefulness in analysing global economic trends. It appears that in order to control and promote global capital markets effectively further harmonization of accounting and reporting standards and their expansion to new areas will be needed.

23.15 More specifically, the objectives of the subprogramme will be:

(a) To establish, through the adoption of a code of conduct on transnational corporations, international standards to supplement national laws regarding those aspects of operations of transnational corporations that straddle national borders and to develop international guidelines for bringing the operations of transnational corporations into conformity with the policy objectives of their host countries;

(b) To facilitate the continued growth of foreign direct investment and activities of transnational corporations by, inter alia, prescribing minimum standards for the treatment of transnational corporations by Governments and by strengthening intergovernmental co-operation and co-ordination with regard to foreign direct investment;

(c) To improve the information disclosure by transnational corporations through the harmonization of diverse national accounting and reporting practices and to formulate, adopt and monitor other international arrangements and agreements;

(d) To formulate and adopt international guidelines, standards, arrangements and agreements addressing environmental, industrial safety and other concerns arising from the increased transnationalization of economic activity;

(e) To improve the understanding of transnational corporations through research, studies and surveys, and to disseminate and publicize the agreed standards and guidelines.

(b) Course of action of the Secretariat

23.16 If the code of conduct is adopted during the period 1992-1997, the Centre will assist the United Nations Commission on Transnational Corporations in the implementation, follow-up and review of the code. During the first two years after its adoption, the efforts of the Commission and the Centre will concentrate on disseminating, publicizing and explaining the instrument; on working out the details of its follow-up mechanisms at the enterprise, national and international levels; and on establishing a reporting system. Once a mechanism for implementation of the code is established, the active involvement of transnational corporations, labour movements, as well as Governments is envisaged.

23.17 The intergovernmental expert group on accounting and reporting has made important recommendations on a broad range of issues regarding informal disclosure in financial statements. In the future, the work in that area will be expected to focus increasingly on non-financial items needing disclosure. With a view to

strengthening the compliance of transnational corporations with international standards, consideration might need to be given to setting up appropriate mechanisms. There will also be a need to examine ways in which a positive contribution can be made in assisting national standard-setting, particularly in developing countries and centrally planned economies.

23.18 During the period, follow-up activities related to the agreement on illicit payments and any other arrangements completed by then, may be mandated and undertaken. The Centre will provide substantive support to intergovernmental bodies concerned through the provision of background documents and other support services related to international arrangements and agreements under preparation. The Centre will also undertake studies and arrange for consultations aimed at identifying other areas in which international arrangements or agreements are needed.

SUBPROGRAMME 2. MINIMIZING THE NEGATIVE EFFECTS OF TRANSNATIONAL CORPORATIONS AND ENHANCING THEIR CONTRIBUTION TO DEVELOPMENT

(a) Objectives

23.19 The legislative authority for the present subprogramme derives from Economic and Social Council resolutions 1913 (LVII), paragraph 4, 1961 (LIX), 1980/60, paragraphs 2, 3, 5 and 9, 1986/1, 1986/53, 1986/54, 1987/56, 1988/56-58, 1989/21-23 and 1989/25-28.

23.20 Foreign direct investment grew consistently during the 1970s and 1980s and it is likely that, even amidst adverse macro-economic conditions, it will continue to expand further during the 1990s. Developing countries will be the host regions with the highest potential to absorb foreign investment, but unless conscious efforts are made to encourage investment and related flows, there is a danger that foreign direct investment in those countries will remain stagnant in the next decade. The rapidly changing map of regional integration, including the consolidation of the European Community at the end of 1992, will create new challenges and opportunities to both Governments and corporations. Recent policy changes in the centrally planned economies could increase the role of those countries in the world economy and radically affect the flows of foreign direct investment to and from them over the period of the medium-term plan.

23.21 Transnational corporations respond to opportunities arising from technological innovation and market forces. New technologies are emerging and spreading at a fast pace, particularly changing the economics of production. Developing countries will need to build a capacity to generate and utilize new technologies if they are to maintain or acquire international competitiveness in existing export industries and penetrate new markets. At the same time, being at the centre of technological change, transnational corporations can make innovative contributions to national strategies for technology development, by applying, commercializing and disseminating the new technologies in developing countries.

23.22 The growth and interdependence of transnational business also create a need for international attention to environmental and health issues that affect business and government interests throughout the world. A number of serious incidents involving chemicals, radioactive material and oil spills have warned the world community that risks from deficient environmental or safety standards are not just a local, but also a regional and even a global problem. A challenge for government

administrators and business officials is to design policies and strategies that allow continued growth while maintaining an appropriate level of environmental safety.

23.23 There will also be a need for mechanisms that channel foreign direct investment into priority areas of national investment programmes; encourage indigenous enterprises; ensure introduction of environmental standards; protect against and compensate host countries for transfer pricing abuses; ensure that the financial activities of transnational corporations are consistent with the country's balance-of-payments objectives; and aim at prudential control of global markets. The introduction of such mechanisms requires a consistent policy environment that enhances the overall contribution of transnational corporations to development. Critical to such efforts is concern for the possible adverse social and cultural impacts of the operations of transnational corporations in developing countries. Actions by developing countries would need to be complemented by policies and mechanisms aimed at improving the quality and quantity of investment flows. Actions for an accelerated transfer of investment capital, technology and managerial know-how to developing countries constitute crucial elements of an international action programme for development in the 1990s.

23.24 Continuous and more systematic monitoring of international and national measures with respect to the activities of transnational corporations in South Africa will also be necessary. While approximately 600 firms, their subsidiaries or affiliates have disinvested in 1984-1989, many have retained non-equity ties. The circumvention of trade measures by third countries has occurred in the absence of mandatory and universal sanctions. Financial measures will likely have the greatest impact on the South African economy during the plan period.

23.25 Consequently the subprogramme will aim:

(a) To facilitate mutually beneficial linkages between transnational corporations and developing countries and minimize the negative effects of the operations of those corporations;

(b) To strengthen intergovernmental co-operation in the area of foreign direct investment and the operations of transnational corporations, with a view to minimizing potential negative effects of their operations and maximizing their contribution to economic development and growth;

(c) To further the understanding of the nature and role of transnational corporations, by analysing: (i) the trends in the activities of transnational corporations and their impact on world development; (ii) the impact and implications of the activities of transnational corporations on host countries, in particular developing countries, as concerns economic, political, social and cultural issues; (iii) capital inflows and outflows, trade and transfer of technology through the impact and implications of transnational corporations on the world economy; (iv) the effectiveness of existing national policies, laws and regulations on matters related to transnational corporations; (v) the role and impact of transnational corporations in major sectors; (vi) the effectiveness of contracts and agreements between host country entities and transnational corporations; and (vii) organizational structures, operational forms and strategies of transnational corporations;

(d) To provide policy recommendations and assist host countries, in particular developing countries, in attracting and maintaining an increased flow of capital, technology skills and entrepreneurship.

(b) Course of action of the Secretariat

23.26 The Centre will undertake research and analysis on issues assigned to it by the General Assembly, the Economic and Social Council and the Commission in the following areas: the role of transnational corporations in production, processing and export in selected domestic economies and major sectors; a comprehensive, integrated study of transnational corporations in world development; aspects of the economic, political, social and cultural impact of transnational corporations; activities of transnational corporations in South Africa; the role of transnational corporations in: (i) international financial transfers and balance of payments; (ii) in international trade, including intra-firm transactions; (iii) the transfer of technology; and (iv) service industries, including data services; surveys on foreign direct investment flows and stocks world-wide, disaggregated by sectors, by countries and by corporations; information on individual corporations; changing patterns of transnational corporation arrangements, including non-equity arrangements, joint ventures and licensing agreements; changing patterns of transnational corporation structures, organization and modes of operation; changing patterns in the size, characteristics and sector and country composition of transnational corporations; changing patterns in corporate alliances across national borders and their impact on competition; the impact of foreign direct investment and transnational corporation activities on the global economy and linkages with other macro-economic factors.

23.27 The Centre will also undertake research and studies on the impact of national and international policies on foreign direct investment and transnational corporation behaviour; the effectiveness of laws and regulations in that area; the changing patterns of various types of contracts and agreements in various sectors; environmental risk management; the effect of the consolidation of the European Community on foreign direct investment flows and patterns of transnational corporation activity; the effect of the economic integration of the centrally planned economies on the global economy; the role and impact of multilateral, regional and bilateral agreements and arrangements on international co-operation on foreign direct investment and transnational corporations; new and alternative forms of international economic co-operation; the role and impact of home country policies in encouraging foreign direct investment flows towards developing countries; the role and impact of international standards in transnational corporation/host country relations; progressive elaboration of international standards for the collection of data on foreign direct investment and transnational corporations; key concepts relevant to an international framework on foreign direct investment and transnational corporation activity; harmonization of national standards and norms in that area; and development of methodologies and concepts to facilitate harmonization.

23.28 Further, the Centre will organize seminars, conferences and other meetings in different regions aimed at disseminating the findings of its research and analysis and will examine ways of translating those findings into intergovernmental and governmental policies and measures.

SUBPROGRAMME 3: STRENGTHENING THE CAPACITY OF HOST DEVELOPING COUNTRIES IN DEALING WITH MATTERS RELATED TO TRANSNATIONAL CORPORATIONS

(a) Objectives

23.29 The legislative authority for the present subprogramme derives from Economic and Social Council resolutions 1913 (LVII), paragraph 4, 1961 (LIX), and 1980/60, paragraphs 3 and 9, and decision 180 (LXI), subparagraph (b).

23.30 The 1980s have experienced a substantial change in the relationship between host developing countries and transnational corporations. Confrontation has given way to more pragmatic attitudes based on a recognition by both parties that there can be a mutuality of interest across broad areas of economic activity. That trend is most dramatically reflected in the new "open door" policies of several countries in Africa. Equally significant is the change being effected in the economies of Eastern Europe, which were previously not open to foreign investment. Host countries will continue to need expertise during the 1990s with respect to the structuring of appropriate foreign investment régimes and fair and equitable joint-venture arrangements. Countries that have traditionally welcomed foreign investment have also shifted to more liberalized policies, partly because transnational bank debt is no longer an option for securing capital from abroad. Those countries face the task of streamlining their administrative mechanisms not only for rapidly and effectively evaluating, screening and approving foreign investment applications but also for promoting foreign investment and identifying appropriate prospective joint-venture partners. At the same time, these countries will presumably wish to ensure that the transnational corporations meet certain performance requirements. A key challenge in the 1990s, therefore, is to devise foreign investment policies that strike the right balance between facilitation and regulation.

23.31 These developments are occurring in the context of rapid technological advances and intensified competition between countries and between transnational corporations which have contributed to a growing globalization of the world economy. Developing countries therefore need to forge flexible and innovative policies in the 1990s that give them continuous access to these technological advances and enhance their share in investment and world economic activity.

23.32 The objectives, therefore, will be:

(a) To facilitate the flow of adequate and appropriate foreign investment and technology transfer to host developing countries;

(b) To maximize the contribution of contractual arrangements with transnational corporations in host developing countries;

(c) To enhance the capability of public and private sector officials of host developing countries in negotiating with transnational corporations;

(d) To establish and strengthen developing country capacities to identify, collect and analyse information on foreign investments, technology transfer and transnational corporations;

(e) To enhance the capability of small and medium-sized industries in developing countries in their dealings with transnational corporations.

(b) Course of action of the Secretariat

23.33 In the period 1992-1997, the Secretariat will provide advisory, training and information services in the following areas:

(a) Examination of policy options related to transnational corporations either at the overall level, in specific sectors or in connection with specific issues such as ownership and control, acquisition of technology, fiscal and financial questions and transfer pricing;

(b) Formulation or revision of laws and regulations related to the activities of transnational corporations either in general or in specific sectors (e.g. natural resources), or on specific issues (e.g. transfer pricing);

(c) Elaborating or strengthening evaluation, screening and monitoring guidelines for projects involving equity or non-equity participation of transnational corporations, as well as developing or strengthening relevant governmental infrastructure, procedures and information systems in that regard;

(d) Evaluation, within the context of specific projects, of the alternative merits of various types of contractual arrangements such as joint ventures, licensing, management contracts and production-sharing agreements;

(e) Legal, financial, economic and operational issues related to specific contractual arrangements with transnational corporations, in the natural resources, manufacturing or service sectors;

(f) Staff support in the preparation for negotiations;

(g) Organization and conduct of training workshops, seminars, round tables and study tours on matters related to regulating and negotiating with transnational corporations;

(h) Developing or strengthening national information systems related to transnational corporations;

(i) Collection and dissemination of information on laws and regulations, individual transnational corporations, contracts and agreements, and other data sources;

(j) Preparation of responses to requests from Governments for information on matters related to transnational corporations;

(k) Establishing interdisciplinary programmes of training on matters related to transnational corporations by institutions of higher learning of developing countries;

(l) Establishing a public and private sector infrastructure for developing small and medium-sized enterprises and assisting them in establishing beneficial links with transnational corporations.

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